



WORTHING BOROUGH  
COUNCIL

Worthing Joint Strategic Sub-Committee  
14 March 2024

Key Decision [Yes/No]

Ward(s) Affected:

## Successful Public Sector Decarbonisation Scheme Phase 3c Bid

### Report by the Director for Sustainability & Resources

#### Officer Contact Details

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#### Executive Summary

##### 1. Purpose

- 1.1. In 2023, Worthing Borough Council secured up to £2.47m of Public Sector Decarbonisation Scheme Phase 3b Funding to connect Civic Quarter buildings to the Worthing Heat Network.
- 1.2. The council has now secured an additional £5.6m of funding to connect buildings outside the town centre and extend the network to Splashpoint and Pavilion Theatre.
- 1.3. The funding bid has *reduced* the overall match funding requirement from WBC and it is proposed to allocate £250k of this reduction towards undertaking preemptive maintenance and repair work at the heat network's proposed energy centre location, High Street Multi Storey Car Park. This work will reduce the complexity and cost of the ongoing maintenance liability for the site.

##### 2. Recommendations

- 2.1. To recommend to Council to approve an increase to the General Fund capital programme budget of £2,980,230 to be funded by additional PSDS and HNDU grant funding.

- 2.2. To approve the use of the of £175,000 HNDU to support the procurement and contract work associated with the project as outlined at 4.1.
- 2.3. To approve a budget virement of £250,000 from PSDS budget to Car Park to enable resurfacing works to the High Street

### 3. Context

- 3.1. The Worthing Heat Network will deliver low carbon heating infrastructure to the town over the course of the next few decades.
- 3.2. Over time, the network will grow organically, with new pipe laid as new connections connect. Whilst the heat network operator (Hemiko) are obliged to grow the network as part of the contract let by Worthing Borough Council, it is increasingly likely that Heat Network Zoning legislation currently being prepared by the government will see even greater uptake.
- 3.3. The council has previously been awarded considerable revenue and capital funding from the Department for Energy Security and Net Zero (DESNZ, formerly BEIS).
- 3.4. The Heat Network Delivery Unit (HNDU) provides revenue funding for pre-construction phases of heat network projects and the Heat Network Investment Project (HNIP, since superseded by the Green Heat Network Fund, GHNF) provides capital funding for commercialisation and construction phases of projects.
- 3.5. Government launched the Public Sector Decarbonisation Scheme (PSDS) in 2020. This is a significant capital fund aimed at installing measures to replace fossil fuel heating systems with low carbon alternatives on the public sector estate.
- 3.6. PSDS funding rounds are held annually, with Worthing Borough Council receiving £585k of PSDS funding in 2021/22 to deliver energy reduction measures across the Town Hall, Assembly Hall and Portland House.
- 3.7. The council's town centre estate forms a key portion of its scope 1 emissions. As set out in the 2024 Carbon Management Plan, these must be decarbonised if the council is to meet its commitments to be carbon neutral for its operations by 2030.
- 3.8. As reported to Joint Strategic Sub-Committee (Worthing) last year, a successful £2.47m bid for PSDS Phase 3b funding was submitted in 2022. This was for fabric efficiency, building adaptation and enabling works to connect the following buildings to the Worthing Heat Network:
  - Worthing Town Hall

- Assembly Hall
- Portland House
- Connaught Theatre and Studio
- Worthing Museum\* (\*see below)

#### 4. HNDU Funding

4.1. As the heat network contract negotiations finally concluded, the council has successfully bid for a final Heat Network Delivery Unit (HNDU) funding award of £175,000. This will ensure the council reaches financial close having conducted all Legal and Technical due diligence thoroughly.

#### 5. PSDS 3c Bid

5.1. A bid was submitted to replace the fossil-fuelled heating systems of the following buildings:

- Worthing Museum
- Pavilion Theatre
- Splashpoint

5.2. The 3b bid included works at Worthing Museum that would incorporate the Let the Light In project works. As this project did not progress, the museum was removed from the 3b bid and the 3c bid now covers measures that account for adaptations to the existing layout. This means the funding secured under 3b has decreased (to £2.1m).

5.3. The successful phase 3c bid is for £5.64m and secures funding for:

- Energy efficiency measures
- Control upgrades
- Renewable electricity generation technologies
- Metering
- Heat Network Connection costs

5.4. In order to deliver the project successfully, match funding of £768,590 is required. Subject to approval, this funding is to be reallocated from the Phase 3b funding allocated at JSSC in March 2023, as follows:

|                   | No. of sites | Grant      | Match (WBC) | Total      |
|-------------------|--------------|------------|-------------|------------|
| Original (3b) Bid | 5            | £2,449,200 | £5,005,230  | £7,454,490 |

|                       |   |            |            |            |
|-----------------------|---|------------|------------|------------|
| New bids (3b plus 3c) | 7 | £7,754,492 | £3,238,839 | 10,993,331 |
|-----------------------|---|------------|------------|------------|

- 5.5. In other words, the match funding requirement has decreased, even as the scope of the project has increased.
- 5.6. It is recommended that the council retains the reduction in match funding requirement is earmarked for the project in order to cover:
- Contingency
  - Resurfacing works to High Street Car Park (see section 6).
- 5.7. The 3c buildings will be bundled with the 3b buildings and delivered as one project, with external project management support provided by AECOM in order to allow the council to continue delivering on other capital budget commitments whilst also delivering significant decarbonisation and energy efficiency works to its town centre estate. The budget for this is included in the figures highlighted in this report.
- 5.8. Once complete, the works associated with all 7 buildings will save in excess of 900 tonnes of carbon annually, significantly reducing the environmental impact of WBC, Worthing Theatres and Museum and South Downs Leisure sites in the process.

## **6. High Street Car Park - Strategic Value and immediate Resurfacing Works**

- 6.1. The High Street Car Park is a long term strategic asset for the Council, and is expected to remain so, even as car parking need changes over the medium to long term. In future years it will be vital to invest in refurbishment and maintenance through the Council's capital and revenue programmes.
- 6.2. The introduction of the Heat Network Energy Centre to the top floor of the car park will not place additional demands on the building, but does underline the need to keep the building in good order.
- 6.3. The construction of the Energy Centre received Planning Permission on 20 December 2023.
- 6.4. The MSCP is subject to a routine maintenance programme in order to ensure it remains in a serviceable condition, and it is proposed to bring

forward some maintenance (particularly resurfacing) in order to prolong the period before which additional maintenance is needed.

- 6.5. The estimated upper limit of this work is £250,000.
- 6.6. Whilst this work is not part of the PSDS-funding mentioned above, it is proposed to utilise projected underspend from the PSDS budget to enable this preventive work to be undertaken prior to heating plant being installed.

## 7. Timeline and next steps

- 7.1. Should members approve, the timeline for the project is outlined in the table below:

| Stage   | Date                           |
|---|--------------------------------|
| <b>Heat Network (Hemiko)</b>  |                                |
| Energy Centre Construction  | September 2024 - Spring 2025   |
| Network Construction (pipe laying)  | Summer 2024 - Connection Dates |
| Connection of Town Hall, Assembly Hall<br>Portland House, Connaught Theatre,<br>Museum and Hospital | Throughout 2025                |
| Connection of Pavilion Theatre and<br>Splashpoint   | Late 2025-Mid 2026             |
| Connection of other (non-WBC) sites   | Ongoing                        |
|   |                                |
| <b>PSDS Works</b>   |                                |
| AECOM appointed as External Project<br>Management Support   | March 2024                     |
| Design, Procurement, Planning & Listed<br>Building Applications                                     | April 2024 - Dec 2024          |
| Works   | Late 2024 - Connection Dates   |
|   |                                |
| <b>High Street Car Park Works</b>   |                                |

|   |                           |
|---|---------------------------|
| Prepare tender documents and obtain tender prices for structural and surfacing works. | March 2024-April 2024     |
| Internal governance and lead in time for the main contractor.                         | May 2024 - June 2024      |
| Undertake structural works and resurfacing of the top deck.                           | July 2024- September 2024 |

## 8. Engagement and Communication

8.1. The following teams and organisations have been engaged regarding the PSDS and car park works listed above:

- Technical Services
- Place & Economy
- Planning
- Major Projects
- Parking Services
- Environment Services
- Worthing Theatres & Museums
- South Downs Leisure
- Heat Network Delivery Unit (HNDU), DESNZ (formerly BEIS)

## 9. Financial Implications

9.1 The current capital budget for the Worthing Heat Network is £15,592,490 broken down as follows:

|  |             |   |
|--|-------------|---|
| Worthing Heat Network funded by the heat network programme grant and loan                | £5,638,000  | funded by the heat network programme grant and loan             |
| Worthing heat network enabling works (3b bid)  | £7,454,490  | Part funded by PSDS grant with council match funding £5,005,230 |
| Worthing Heat Network enabling works - Splashpoint, Pavilion Theatre and Museum (3c bid) | £2,500,000  | Budget was approved subject to full funding from PSDS           |
| Total current budget   | £15,592,490 |   |

9.2 The PSDS grant funding for the 3c bid has been successful with a total grant allocation from the 3b and 3c bids of £7,754,492. This reduces the council match funding contribution for the schemes, but it is recommended that this be retained within the budget to enable a virement to be made for required resurfacing works to the High Street MSCP and contingency.

9.3 In addition a bid has been successful to secure £175,000 HDNU funding This will ensure the council reaches financial close having conducted all Legal and Technical due diligence thoroughly.

9.4 It is therefore recommended that an increase to the capital programme of £2,980,232 is approved to be fully funded from the additional grants as follows:

|   |             |  |
|---|-------------|--|
| Worthing Heat Network funded by the heat network programme grant and loan | £5,638,000  | funded by the heat network programme grant and loan  |
| Worthing heat network enabling works (3b & 3c bids)                       | £12,759,720 | Part funded by PSDS grant with council match funding retained at £5,005,230 to allow a virement to support the MSCP work and a contingency |
| Worthing Heat Network enabling works                                      | £175,000    | Full funding from HNDU   |
| Total revised budget for approval   | £18,572,720 |  |
| Increase in budget recommended for approval                               | £2,980,230  |  |

9.5 It is recommended that a virement of £250,000 from this Worthing Heat Network budget to a provide a budget to enable resurfacing works at the High Street MSCp as set out in section 6. Subject to this approval the above budget at 9.4 would reduce to £18,322,720.

9.6 There is no additional council funding required from the proposals set out in this report, all additional increases in budget proposed are funded from successful bids for additional grant funding.

## 10. Legal Implications



- 10.1. s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 10.2. Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 10.3. s1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.
- 10.4. The PSDS and HNDU grant funding must also be spent by the Council in a way that does not breach the funding terms and conditions or create any unlawful state aid to any commercial undertaking.
- 10.5. The Climate Change Act 2008 (2050 Target Amendment) Order 2019 came into force on 27 June 2019 and increased the UK's 2050 net greenhouse gas emissions target under The Climate Change Act 2008 from 80% to 100%.

## **Background Papers**

- JSC/39/23-24: [Adoption of Carbon Reduction Plan](#) and [Appendix](#)
- JSS-C(W)/40/22-23: [New Economic Principles for Worthing](#)
- JSS-C(W)/70/22-23: [Worthing Heat Network : Letting of contract to design, build, fund, operate and maintain a low carbon heat network for Worthing Town Centre and agreement to enter into heat supply and connection agreements for WBC estate](#)
- JSC/100/21-22: [Carbon Neutral 2030: Worthing Heat Network Progress Update](#)
- JSC/47/21-22: [Carbon Neutral 2030: Worthing Heat Network: progress update](#)
- JSC/128/20-21 [Carbon Neutral 2030 - Worthing Civic Quarter Heat Network](#)

## **Sustainability & Risk Assessment**

### **1. Economic**

The installation of a key piece of low carbon infrastructure in Worthing will enable businesses and residents to decarbonise their heat supplies more easily and more cost effectively than building-by-building solutions. It will create significant investment in the town (including over £25m of grant funding) and deliver a minimum of 4.0FTE jobs directly employed by the heat network.

### **2. Social**

#### **2.1 Social Value**

Hemiko, the concessionaire, has made a number of commitments to social value, including local volunteering days for staff, school and university visits/placements, the use of local subcontractors and the delivery of jobs (including apprenticeships) locally.

#### **2.2 Equality Issues**

None identified

#### **2.3 Community Safety Issues (Section 17)**

None identified

#### **2.4 Human Rights Issues**

None identified

### **3. Environmental**

There will be significant environmental benefit from the installation of the heat network and delivery of associated projects. Without expansion, the heat network is projected to save 3,000 tonnes of carbon annually, delivering a substantial and meaningful mitigation of the town's impact on climate change.